

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-400-C - ORDER NO. 2008-485
JULY 11, 2008

IN RE: Rulemaking Regarding Prepaid) ORDER
Telecommunications Local Services) PROMULGATING
) REGULATION ON
) SECURITY FOR PREPAID
) LOCAL EXCHANGE
) SERVICES

This matter comes before the Public Service Commission of South Carolina (“Commission”) for consideration of promulgation of a regulation relating to security requirements for prepaid local exchange services. In the February 2008 issue of the State Register, the proposed regulation, a Statement of Need and Reasonableness for the regulation, and a Preliminary Fiscal Impact Statement were published. This Commission also published a Notice of Public Hearing, which stated that the Commission had scheduled a hearing for April 29, 2008 at 2:00 PM to take place in the Commission’s Hearing Room.

A hearing was held on April 29, 2008 at 2:00 PM in the Commission’s Hearing Room, with the Honorable G. O’Neal Hamilton, Chairman, presiding. All jurisdictional documents were submitted into the record as a Hearing Exhibit, which was admitted into evidence. Jocelyn Boyd, Deputy Clerk, outlined the proposed regulation. Other presenters

proposed modifications to the proposed regulation, both orally at the hearing and through written comments.

The following changes to the proposed regulation were proffered:

- 1) Change the term “telecommunications carriers” to the term “telephone utilities.”
- 2) The telephone utilities should be considered with their affiliates.
- 3) The regulation should be limited to retail residential prepaid local exchange service.
- 4) The term “advance payments” should include non-recurring connection and service fees.
- 5) The regulation should exclude CMRS (wireless) carriers.
- 6) The regulation should be applicable to carriers certificated on or after the effective date of the regulation.
- 7) The escrow account should be removed as an available form of security.
- 8) The determination of the amount of security should be made by any commercially reasonable acceptable method, including consideration of the number of customers, retail price for prepaid service, and financial resources of the carrier.
- 9) The forms of security should be “acceptable to the Commission,” rather than forms of security issued by companies authorized to do business in South Carolina.
- 10) A method of forfeiture should be established so that forfeiture may be accomplished if the Commission makes a finding that the telephone utility in

question has abandoned service to customers who have paid for those services in advance.

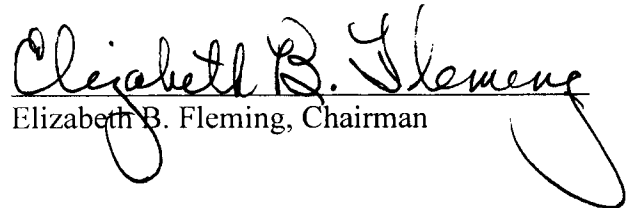
The Commission has considered this matter and finds that these proposed changes to the originally proposed regulation as stated above are reasonable. Based on the record as a whole, the Commission finds that the requisite need and reasonableness have been met, and that the regulation should be promulgated, as modified by the above-noted changes.

However, with regard to Nos. 6 and 8 above, we believe that further consideration should be given at a future time in a new rulemaking proceeding. We would like to explore further whether it is appropriate that these regulations should be made applicable to all prepaid sellers of local exchange service, not just those who will be certificated after the effective date of the regulation. However, since this concept was not discussed, nor did it appear in comments, it must be put off until another ratemaking proceeding. We will also be interested to see whether allowing a “determination of the amount of security [to] be made by any commercially reasonable acceptable method”, as set out in No. 8 above, will provide sufficient regulation and guidance to accurately evaluate appropriate security levels. Therefore, the criteria for setting the amount of security may also be further considered in a future rulemaking proceeding. Accordingly, we hold that a rulemaking proceeding shall be established for future additional consideration of Nos. 6 and 8 above.

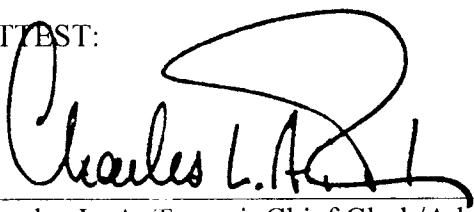
IT IS THEREFORE ORDERED THAT:

1. The proposed security for prepaid local exchange services regulation is promulgated as modified.
2. The modified regulation shall be submitted to the General Assembly for review pursuant to State law.
3. A new rulemaking proceeding is established to reconsider the applicability of the regulation and the criteria for establishing the amount of security.
4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


Charles L. A. Terreni, Chief Clerk/Administrator

(SEAL)